

Message Text

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60

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 IGA-01 (ISO) W

----- 009361

R 211550Z MAY 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2467

INFO AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY LONDON

AMEMBASSY PARIS

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PASS EXIM

E.O. 11652: N/A

TAGS: EAGR, EFIN, ECON

SUBJECT: NEW LOANS TO ALGERIA

1. GTE OFFICER REPORTS THAT ALGERIANS HAVE JUST ABOUT SUCCEEDED IN FLOATING SEVEN YEAR 100 MILLION DOLLAR LOAN WITH UBAF (ARAB/FRENCH BANK). THIS IS LOAN TO SONATRACH, AND RATE IS ONLY 1 3/8 OVER LONDON INTER-BANK RATE. FIRST ATTEMPT OVER A MONTH AGO WAS FOR 10 YEAR LOAN AT 1 1/8, BUT THIS WAS WITHDRAWN. UBAF HAS TO SELL OFF A LITTLE MORE TO COMPLETE LOAN BUT ABOUT 90 MILLION HAS BEEN DISTRIBUTED MOSTLY TO ARAB BANKS ALONG WITH 2 US BANKS. LOAN MAY BE INCREASED TO 125 MILLION DOLLARS. COMPLETION OF LOAN IS EXPECTED IN NEXT WEEK. LOAN HAS SOME SWEETENERS SO ACTUAL RATE MAY BE CLOSE TO 1 1/2 OVER LONDON.

2. THIS LOAN IS BAD NEWS TO SOME US BANKERS WHO HAD HOPED LOAN WOULD FAIL. BEST TERMS US BANKERS--CHASE,
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FNCB, B OF A, AND MANUFACTURERS-- ARE WILLING TO

DISCUSS ARE ABOUT 1 3/4 OVER LONDON. ONE AND THREE-EIGHTHS IS SAID TO BE BELOW COST. THE ARAB/AFRICAN BANK HAS INDICATED TO GTE THEY WOULD CONSIDER LOAN TO ALGERIA, SONELEC, AT BELOW 1 3/4, BUT THEY COULD NOT MATCH UBAF.

3. BESIDES LOW RATES, THESE TWO ARAB-FINANCED BANK PROPOSALS ARE OF INTEREST BECAUSE UP TO NOW ARAB MONEY HAS BEEN CAUTIOUS ABOUT ALGERIAN INVESTMENTS. BEIRUT BASED BANKER CONFIRMED ALGERIAN PAPER QUITE POPULAR IN MID-EAST AND ARAB BANK PARTICIPATION IN UBAF EURODOLLAR LOAN PROVES THIS AND ALSO ARAB ACTIVITY IN EURODOLLAR MARKET. GTE OFFICIALS FOUND ARAB BANKERS AWARE OF ALGERIAN ECONOMIC PROBLEMS, BUT ALSO MORE INCLINED THAN US OR EUROPEAN BANKS TO FINANCE ALGERIAN PROJECTS. PARKER

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